

Illinois-American Water Company
Lincoln
Adjustments to Operating Income
For the Test Year Ending December 31, 2017

Line No.	Description	Interest Synchronization (Sch. 1.07) (b)	Payroll Exp (AG IB Sch C-2 p 1) (c)	APP (AG IB Sch. C-3) (d)	Power Exp (AG IB Sch. C-5) (e)	Debt Return on Pension Asset (AG IB Sch C-10) (f)	Demand Study (AG IB Sch C-11) (g)	(Not Applicable) (h)	Total Operating Statement Adjustments (i)
1	Tariff Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	Other Revenue	-	-	-	-	2,644	-	-	2,644
3	Total Operating Revenue	-	-	-	-	2,644	-	-	2,644
4	Uncollectible Accounts	-	-	-	-	-	-	-	-
5	Salaries and Wages	-	(17,624)	(14,641)	-	-	-	-	(32,265)
6	Purchased Water	-	-	-	-	-	-	-	-
7	Fuel and Power	-	-	-	(4,323)	-	-	-	(4,323)
8	Chemicals	-	-	-	-	-	-	-	-
9	Waste Disposal	-	-	-	-	-	-	-	-
10	Service Company Costs	-	-	(541)	-	-	(1,292)	-	(1,833)
11	Group Insurance	-	(3,003)	-	-	-	-	-	(3,003)
12	Pension	-	-	-	-	-	-	-	-
13	Regulatory Expense	-	-	-	-	-	-	-	-
14	Insurance - other	-	-	-	-	-	-	-	-
15	Customer Accounting	-	-	-	-	-	-	-	-
16	Rents	-	-	-	-	-	-	-	-
17	General Office Expense	-	-	-	-	-	-	-	-
18	Maintenance - other	-	-	-	-	-	-	-	-
19	Miscellaneous	-	-	-	-	-	-	-	-
20	Depreciation & Amortization	-	-	-	-	-	-	-	-
21	Taxes other than income	-	(1,292)	(1,161)	-	-	-	-	(2,453)
22	Total Operating Expense	-	-	-	-	-	-	-	-
23	Before Income Taxes	-	(21,919)	(16,343)	(4,323)	-	(1,292)	-	(43,877)
24	State Income Tax	264	1,699	1,267	335	205	100	-	3,870
25	Federal Income Tax	1,099	7,077	5,277	1,396	854	417	-	16,120
26	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-
27	Total Operating Expenses	1,363	(13,143)	(9,799)	(2,592)	1,059	(775)	-	(23,887)
28	NET OPERATING INCOME	<u>(\$1,363)</u>	<u>\$13,143</u>	<u>\$9,799</u>	<u>\$2,592</u>	<u>\$1,585</u>	<u>\$775</u>	<u>\$</u>	<u>\$26,531</u>

Illinois-American Water Company
Lincoln
Rate Base
For the Test Year Ending December 31, 2017

Line No.	Description	Company Pro Forma Rate Base (IAWC Ex. 4.03SR(Rev)) (b)	Adjustments (Sch. 1.04) (c)	Pro Forma Rate Base (Col. b+c) (d)
1	Utility Plant in Service	\$ 27,202,672	\$ (7,567)	\$ 27,195,105
2	Less: Accum. Depreciation & Amort.	(12,123,860)	-	(12,123,860)
3		-	-	-
4	Net Plant	15,078,812	(7,567)	15,071,245
5	<i>Additions to Rate Base</i>			
6	Construction Work in Progress	91,413	-	91,413
7	Utility Plant Acquisition Adjustment - DuPage	-	-	-
8	Cash Working Capital	95,000	(29,000)	66,000
9	Materials and Supplies	79,640	-	79,640
10	Deferred Charges	245,403	-	245,403
11	FAS 109 Reg. Asset - Net of Liability	(19,793)	-	(19,793)
12	ICC Service Company Audit Costs	2,382	-	2,382
13				
14	<i>Deductions From Rate Base</i>			
15	Customer Advances for Construction	(1,256,969)	-	(1,256,969)
16	Contributions in Aid of Construction	(1,018,633)	-	(1,018,633)
17	Accum. Depr. on Contributed Property	351,453	-	351,453
18	Budget Payment Plan	155	-	155
19	Deferred Federal Income Tax	(2,132,422)	-	(2,132,422)
20	Deferred State Income Tax	(243,390)	-	(243,390)
20	Investment Tax Credit - pre 1971	(19)	-	(19)
21	OPEB Liability	(28,664)	-	(28,664)
22	FIN 48	-	(51,831)	(51,831)
23	Rate Base	<u>\$ 11,244,368</u>	<u>\$ (88,398)</u>	<u>\$ 11,155,970</u>

Illinois-American Water Company
Lincoln
Adjustments to Rate Base
For the Test Year Ending December 31, 2017

Line No.	Description	Cash Working Capital (Sch 1.08) (b)	FIN 48 (AG IB Sch. B-2) (c)	Payroll Exp (AG IB Sch C-2 p 2) (d)	(Not Applicable) (e)	(Not Applicable) (f)	(Not Applicable) (g)	(Not Applicable) (h)	Total Rate Base Adjustments (i)
1	Utility Plant in Service	\$ -	\$ -	(\$7,567)	\$ -	\$ -	\$ -	\$ -	(\$7,567)
2	Less: Accum. Depreciation & Amort.	-	-	-	-	-	-	-	-
3		-	-	-	-	-	-	-	-
4	Net Plant	-	-	(7,567)	-	-	-	-	(7,567)
5	<i>Additions to Rate Base</i>								
6	Construction Work in Progress	-	-	-	-	-	-	-	-
7	Utility Plant Acquisition Adjustment - DuPage	-	-	-	-	-	-	-	-
8	Cash Working Capital	(29,000)	-	-	-	-	-	-	(29,000)
9	Materials and Supplies	-	-	-	-	-	-	-	-
10	Deferred Charges	-	-	-	-	-	-	-	-
11	FAS 109 Reg. Asset - Net of Liability	-	-	-	-	-	-	-	-
12	ICC Service Company Audit Costs	-	-	-	-	-	-	-	-
13		-	-	-	-	-	-	-	-
14	<i>Deductions From Rate Base</i>	-	-	-	-	-	-	-	-
15	Customer Advances for Construction	-	-	-	-	-	-	-	-
16	Contributions in Aid of Construction	-	-	-	-	-	-	-	-
17	Accum. Depr. on Contributed Property	-	-	-	-	-	-	-	-
18	Budget Payment Plan	-	-	-	-	-	-	-	-
19	Deferred Federal Income Tax	-	-	-	-	-	-	-	-
20	Deferred State Income Tax	-	-	-	-	-	-	-	-
20	Investment Tax Credit - pre 1971	-	-	-	-	-	-	-	-
21	OPEB Liability	-	-	-	-	-	-	-	-
22	FIN 48	-	(51,831)	-	-	-	-	-	(51,831)
23	Rate Base	<u>(\$29,000)</u>	<u>(\$51,831)</u>	<u>(\$7,567)</u>	<u>\$</u>	<u>=</u>	<u>\$</u>	<u>=</u>	<u>(\$88,398)</u>

Illinois-American Water Company
Lincoln
Revenue Effect of Adjustments
For the Test Year Ending December 31, 2017

Line No.	Description (a)	Per Company (b)	Adjustments (c)	Adjusted Balance (d)
1	Present Revenues	\$4,459,185 ⁽¹⁾	\$2,644	\$4,461,829 ⁽²⁾
	Proposed Increase			
	Direct	179,687		
	Rebuttal (Rev.)	2,642		
2	Surrebuttal (Rev.)	(211,003)	<u>(28,674)</u> ⁽³⁾	<u>(336,756)</u> ⁽⁵⁾
3	Proposed Revenues	<u>\$4,430,511</u>	<u>(\$305,438)</u>	<u>\$4,125,073</u>
4	% Increase	-0.64%		-7.55%
5	Adjustments:			
6	Rate of Return (Applied to Company Rate Base)		(\$253,615)	
7	Payroll Expense		(22,830)	
8	APP		(16,494)	
9	FIN 48		(4,850)	
10	Purchased Power Expense		(4,363)	
11	Cash Working Capital		(2,713)	
12	Debt Return on Pension Asset		(2,668)	
13	Demand Study Costs		(1,304)	
14	Gross Revenue Conversion Factor		9	
15	Interest Synchronization		745	
16	Rounding		<u>1</u>	
17	Total Revenue Effect of Adjustments		<u>(\$308,082)</u>	

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Sources:

- (1) AG IB, Schedule 1.01 LC, column (b), line 3
- (2) AG IB, Schedule 1.01 LC, column (d), line 3
- (3) IAWC Exhibit 4.01SR (Rev.) Line 32
- (4) AG IB, Schedule 1.01 LC, columns (f) + (h), line 3
- (5) AG IB, Schedule 1.01 LC, column (j), line 32

Illinois-American Water Company
Lincoln
Interest Synchronization Adjustment
For the Test Year Ending December 31, 2017

<u>Line No.</u>	<u>Description</u> (a)	<u>Amount</u> (b)
1	Rate Base	\$11,155,970 (1)
2	Weighted Cost of Debt	2.58% (2)
3	Synchronized Interest	287,824
4	Company Interest Expense	<u>291,229</u> (3)
5	Increase (Decrease) in Interest Expense	<u>(\$3,405)</u>
6	Increase (Decrease) in State Income Tax Expense	
7	at 7.750%	<u>\$264</u>
8	Increase (Decrease) in Federal Income Tax Expense	
9	at 35.000%	<u>\$1,099</u>

(1) Source: Schedule 1.03 LC, Column (d).

(2) Source: ICC Staff Exhibit 12.0, Schedule 12.01.

(3) Source: IAWC Ex. 4.05SR(Rev), p. 4, Ln. 3

Illinois-American Water Company
Lincoln
Gross Revenue Conversion Factor
For the Test Year Ending December 31, 2017

Line No.	Description (a)	Rate (b)	With Bad Debts (c)	Without Bad Debts (d)
1	Revenues		1.000000	
2	Uncollectibles	0.9200%	<u>0.009200</u>	
3	State Taxable Income		0.990800	1.000000
4	State Income Tax	7.7500%	<u>0.076787</u>	<u>0.077500</u>
5	Federal Taxable Income		0.914013	0.922500
6	Federal Income Tax	35.0000%	<u>0.319905</u>	<u>0.322875</u>
7	Operating Income		<u>0.594108</u>	<u>0.599625</u>
8	Gross Revenue Conversion Factor		<u>1.683196</u>	<u>1.667709</u>

Illinois-American Water Company
Lincoln
Cash Working Capital Adjustment
For the Test Year Ending December 31, 2017

Line No. (A)	Item (B)	Amount ⁽¹⁾ (C)	Average Daily Amount (C)/365 (D)	Expense (Lead)/Lag ⁽²⁾ (E)	Cash Requirement (D)*(E) (F)	Source (G)
1	Revenue	\$4,125,073				Sch. 1.01 LC, p. 1, line 3
2	Return on Equity	(446,239)				Sch. 1.08 LC, p. 2, line 13
3	Deferred Income Taxes	(91,376)				
4	Uncollectible Accounts	(38,185)				
5	Total Depr/Amortization	(1,018,749)				Sch. 1.08 LC, p.2, line 7
6						
7	Net Revenues/Total Receipts	<u>\$2,530,524</u>	\$6,933	47.40	\$328,621	
8						
9	Salaries and Wages	\$494,078	1,354	(11.90)	(16,108)	
10	Purchased Water	-	-	(56.10)	-	Co. Sch. C-2.3
11	Fuel and power	125,824	345	(34.20)	(11,790)	
12	Chemicals	41,538	114	(44.60)	(5,076)	
13	Waste disposal	39,552	108	(57.40)	(6,220)	
14	Service Company Costs	410,173	1,124	7.70	8,653	
15	Group insurance	119,514	327	(9.70)	(3,176)	
16	Pension	43,685	120	(7.80)	(934)	
17	Insurance - other	75,190	206	101.40	20,888	
18	Customer accounting	52,985	145	(47.70)	(6,924)	
19	Rents	3,880	11	11.70	124	
20	General office expense	10,801	30	(45.50)	(1,346)	
21	Maintenance - other	149,403	409	(52.20)	(21,367)	Sch. 1.08 LC, p. 2, line 10
22	Miscellaneous	201,386	552	(41.70)	(23,008)	
23		-			-	
24						
25	Total O&M Expenses	<u>\$1,768,009</u>			(66,282)	
26						
27	Taxes other than income	264,386	724	(147.50)	(106,841)	
28	Federal Income Tax - Current	153,597	421	(35.50)	(14,939)	
29	State Income Tax - Current	54,477	149	(35.50)	(5,298)	
30	Deferred Income Taxes	0	(250)	-	-	
31	Interest Expense	<u>287,824</u>	789	(88.20)	(69,551)	Sch. 1.06 LC, line 3
32						
33	Subtotal Other Expenses	<u>760,284</u>			(196,629)	
34	Total Outlays	<u>\$2,528,293</u>	(2,231)			Line 25 + line 33
35	Total Cash Working Capital Requirement				<u>\$65,710</u>	Line 7 + Line 25 + Line 33
36						
37	Cash Working Capital (Rounded to nearest \$1,000)	\$66,000				Line 35
38	Cash Working Capital per Company	<u>95,000</u>				IAWC Ex. 4.03SR (RevI)
39						
40	Adjustment	<u>(\$29,000)</u>				

Source:

(1) AG Initial Brief, Schedule 1.01 LC, page 1, except where noted.

(2) IAWC Schedule B-8, except where noted.

Illinois-American Water Company
Lincoln
Cash Working Capital Adjustment
For the Test Year Ending December 31, 2017

Line No. (A)	Item (B)	Amount (C)	Source (D)
1	Total operating revenue	\$4,125,073	Sch. 1.01 LC, p. 1, line 3, column (i)
2	Surcharge revenue	-	Co. Sch. C-2.3
3	Total revenue	<u>\$4,125,073</u>	Line 1 + Line 2
4	Depr/amortization per Income Statement	\$991,031	Sch. 1.01 LC, p. 1, line 20, column (i)
5	Add: Amortization of rate case expense	27,718	Sch. 1.01 LC, p. 1, line 13, column (i)
6	Add: Reclassify amortization of tank painting	-	Co. Sch. C-2.4, line 6
7	Total depr/amortization for CWC	<u>\$1,018,749</u>	Sum of lines 4 through 6
8	Maintenance-other per Income Statement	\$149,403	Sch. 1.01 LC, p. 1, line 18, column (i)
9	Less: Reclassify amortization of tank painting	-	Line 12
10	Total Maintenance-other for CWC	<u>\$149,403</u>	Line 8 - Line 9
11	Total Rate Base	\$11,155,970	Sch. 1.03 LC, p. 1, line 23, column (i)
12	Weighted Cost of Equity	4.0000%	Staff Ex. 12, Sch. 12.01
13	Return on equity deduction from revenue	<u>\$446,239</u>	Line 11 * Line 12